



**TO:** Mayor and Council Members  
Marc A. Ott, City Manager

**FROM:** Roger Duncan, General Manager

*MLM FOR*

**DATE:** March 2, 2009

**SUBJECT:** Austin Energy's Proposed Purchase Power Agreement with Gemini Solar Development Company, LLC

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This memo provides an update on Austin Energy's proposed purchase power agreement with Gemini Solar. On February 12, Council directed Austin Energy to continue dialogue on the project with our key account customers and discuss how the project could be packaged as GreenChoice®. Austin Energy has also been examining the federal stimulus bill to identify opportunities for cost saving in the project.

#### **Key Account Customer Dialogue**

On February 19, Austin Energy staff met for several hours with a number of Austin Energy's key account customers. The discussion centered around Council's goals for renewable energy, the plan for the Webberville project, the design of a GreenChoice® solar batch and the financial challenges faced by our key accounts. Several of those customers continue to voice strong reservations regarding the cost and timing of the proposed project. Some customers questioned whether as a result of the economic slowdown, the Council might revisit the City's renewable energy goals. In addition, some questioned whether the economic slowdown had resulted in a decrease in our demand forecast and therefore a decrease in need for generation. While economic conditions suggest a lowering of demand, we continue to recommend this project in order to meet our goal of achieving 30 percent of our energy from renewable sources and 100 MW of solar by 2020.

#### **GreenChoice®**

As stated at the February 12 Council meeting, Austin Energy will offer the output of the Webberville project to our customers through our GreenChoice® program. Austin

Energy will establish one or more GreenChoice® offerings that include the project output, such as a solar-only batch, or perhaps a blended offering of solar, wind and biomass. All offerings will reflect the actual cost of supply and, like previous batches, will be offered at a fixed price for a fixed term. We reiterate that any solar energy from this project not subscribed via GreenChoice® will become system energy and its cost will be incorporated into the fuel charge paid by all customers not served under a GreenChoice® agreement. We will bring specific tariff recommendations to Council in late 2010 as the project nears completion.

### **Federal Stimulus Bill Provisions**

The federal stimulus legislation contains provisions that may reduce the costs of development of a solar power generating plant, though the package is focused primarily on 2009 projects. Some benefits found in the legislation could be available to Austin Energy if AE were to originate a project, however, there is no certainty that Austin Energy would 1) receive any of the limited funding that is available or 2) be able to originate a project within the same time frame as the one proposed.

The majority of the stimulus provisions are tax related and accrue to third party developers such as Gemini. Based on a review by Gemini, the stimulus package will not directly or materially affect this project. However, should funding benefits be identified prior to the execution of the contract, through IRS or Treasury Department rulemakings for example, Gemini Solar has agreed that the value of the benefits will be shared with Austin Energy. To ensure that happens, we will modify our recommendation to Council that approval be granted contingent on such a provision being incorporated in the final contract.

Even though the stimulus package may have little or no impact in this case, AE will still be the beneficiary of all Renewable Energy Credits and any environmental benefits, including future carbon credits over the full 25-year term of the agreement.

Therefore, we continue to recommend the project move forward.

Please let me know if you have any questions regarding this matter. I can be reached at 322-6157.